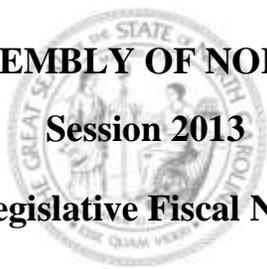


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2013

Legislative Fiscal Note

BILL NUMBER: House Bill 242 (First Edition)

SHORT TITLE: Volunteer Fire Dept. Sales Tax Refund Change.

SPONSOR(S): Representatives Tine, Setzer, Wray, and Dobson

FISCAL IMPACT					
(\$ in millions)					
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
State Impact					
General Fund Revenues:	0.0	0.0	0.0	0.0	0.0
NET STATE IMPACT	No Fiscal Impact. See Assumptions and Methodology				

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:

North Carolina Department of Revenue

EFFECTIVE DATE July 1, 2008

TECHNICAL CONSIDERATIONS:

None

BILL SUMMARY: This bill expands the nonprofit sales and use tax refund to all volunteer fire departments and provides volunteer fire departments with a refund for the sales and use tax paid on purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary services. A request for a refund for the periods July 1, 2008, through December 31, 2009, must be made on or before January 1, 2014, or is barred.

ASSUMPTIONS AND METHODOLOGY:

This bill is expected to have no fiscal impact. The fiscal impact of EMS and Fire Department refunds were fiscally accounted for in with the passage of Session Law 2009-233. [Session Law 2009-233](#) provided volunteer fire departments with a sales tax refund contingent on fire departments having an IRS 501 (c) designation.

Fiscal Research used expense data from 501(c)'s with a "Public Safety, Disaster Preparedness & Relief" mission to estimate the impact of HB 511 (Session Law 2009-233). The fiscal impact

expanded the sales tax refund to include 397 additional organizations. The universe of organizations eligible for a tax refund includes all volunteer-only fire departments. According to the North Carolina Firemen's Association, there are 731 volunteer only fire departments.

The IRS does not always require volunteer fire departments (consistent with the tax treatment of churches) to receive a 501(c) designation.¹ The absence of a 501(c) designation requires the Department of Revenue to implement another administrative step to verify each organization's eligibility for a sales tax refund.

Since the passage of S.L. 2009-233, volunteer fire departments lacking a 501(c) designation, have been unable to immediately obtain a sales tax refund. The Department after additional investigation has deemed these organizations eligible for a refund. There is little data on the value of sales tax refunds awarded to all volunteer fire departments. The Department does, however, maintain information on the value of the sales tax refunds that required additional investigation. The volunteer EMS and fire departments sales tax refunds requiring additional administrative investigation as follows:

1. FY 2008-09 - \$2,800,
2. FY 2009-10 - \$ 614, and
3. FY 2010-11 - \$2,913.

In all instances, after receiving additional review, the refunds were approved.

SOURCES OF DATA: North Carolina Department of Revenue; National Center for Charitable Statistics; Internal Revenue Service, Statistics of Income Division. Table 2: Form 990 Returns of 501c (3)-(9) Organizations: Total Functional Expenditures, by Code Section, Tax Year 2004, published August 2007.

TECHNICAL CONSIDERATIONS: None

¹ According to information provided by the Department of Revenue, "Revenue Proc 95-48, 1995-2 C.B. 418, 1995-47 I.R.B. 13 issued by the IRS identifies two additional classes of organizations that are not required to file annual information returns on Form 990, Return of Organization Exempt from Income Tax. As described in section 4 of the Revenue Proc, the two classes of organizations are (1) governmental units, and (2) affiliates of governmental units that are exempt from federal income tax under section 501(a) of the Internal Revenue Code."

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DATE: April 8, 2013



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